



UNIVERSITY OF VIRGINIA

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2023

Auditor of Public Accounts
Staci A. Henshaw, CPA

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AUDIT SUMMARY

We have audited the basic financial statements of the University of Virginia as of and for the year ended June 30, 2023, and issued our report thereon, dated December 12, 2023. Our report, included in the University's Financial Report, is available at the Auditor of Public Accounts' website at www.apa.virginia.gov and at the University's website at www.virginia.edu. Our audit found:

- the financial statements are presented fairly, in all material respects;
- one deficiency related to governance structure and resources surrounding the financial reporting process that we consider to be a material weakness in internal control;
- additional internal control findings requiring management's attention; however, we do not consider them to be material weaknesses; and
- instances of noncompliance or other matters required to be reported under Government Auditing Standards.

Our audit also included testing over the major federal program of the Research and Development Cluster for the Commonwealth's Single Audit as described in the U.S. Office of Management and Budget Compliance Supplement and found no internal control findings requiring management's attention or instances of noncompliance in relation to this testing.

In the section titled "Internal Control and Compliance Findings and Recommendations" we have included our assessment of the conditions and causes resulting in the internal control and compliance findings identified through our audit as well as recommendations for addressing those findings. Our assessment does not remove management's responsibility to perform a thorough assessment of the conditions and causes of the findings and developing and appropriately implementing adequate corrective actions to resolve the findings as required by the Department of Accounts in Section 10205 – Agency Response to APA Audit of the Commonwealth Accounting Policies and Procedures Manual. Those corrective actions may include additional items beyond our recommendations.

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INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

Improve Governance Structure and Resources Surrounding Financial Reporting Process

Applicable: University-wide

Responsible Department: Executive Vice President and Chief Operating Officer, Chief Executive Officer UVA Health, UVA Finance, and Medical Center Controller's Office

Type: Internal Control

Severity: Material Weakness

First Issued: 2021

Prior Title: Allocate Additional Resources for Financial Statement Preparation

The University of Virginia (University) continues to implement corrective actions to improve internal controls over the financial reporting process for the University's consolidated financial statements including the Academic Division and University of Virginia Medical Center (Medical Center) and University management made progress implementing internal controls resulting from the prior audit. The University's initiatives included the allocation of additional resources to financial reporting, definition of roles and responsibilities over the governance of the consolidation process, establishment of regular meetings between management of the Medical Center and the Academic division to streamline the consolidation process, development of position papers on new Governmental Accounting Standards Board standards, and engaging auditors to complete audits over previously unaudited blended and discretely presented component units.

Although the University has allocated new resources and implemented new processes and controls over financial reporting, these processes and controls require time to mature. In assessing the maturity of the changes made to the University's financial reporting process, we identified the following significant adjustments to the financial statements needed to ensure account balances and related activity were materially correct and align with generally accepted accounting principles:

UVA Medical Center:

- The Medical Center made a \$69.3 reclassification adjustment to correct the presentation and disclosure of beginning net position for fiscal year 2023 and to properly recognize the impact of the restatement in fiscal year 2022. The adjustment resulted from inadequate consideration of the relevant authoritative accounting guidance and lack of further consultation with the Governmental Accounting Standards Board's subject matter experts. The adjustment is necessary because the Medical Center presents comparative financial information in its financial statements.
- The Medical Center recognized a \$34.4 million payable and \$34.4 million in cash that was improperly excluded from its financial statements. The payable related to a management decision to withhold payment from a component unit. The improper exclusion of the payable and related cash resulted from a lack of coordination and communication in the University's

consolidation process coupled with insufficient management review during the financial statement preparation process.

- The Medical Center reversed a \$10 million liability from a prior fiscal year that it improperly included in the current-year financial statements. The adjustment resulted from insufficient management review during the financial statement preparation process.
- The Medical Center adjusted accounts receivable and revenue by \$9 million to correct an estimate that was not properly adjusted in the current year. The adjustment resulted from insufficient management review during the financial statement preparation process.

Academic Division:

- The Academic Division removed \$37.2 million in liabilities related to accumulated balances of the University's Health Plan accounts that do not meet the definition of a liability under generally accepted accounting principles. Since the University publishes comparative information in its financial statements, the adjustment resulted in the restatement of the University's beginning net position for fiscal year 2022 and corrections of amounts for fiscal years 2022 and 2023. While the Academic Division did analyze and consider the treatment of the error, the solution was not implemented in accordance with the authoritative accounting guidance.

University management is responsible for designing and maintaining a system of internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement in accordance with generally accepted accounting principles. Misstatements increase the risk that users of financial statements may draw improper conclusions about the University's financial activities. As the adjustments depict, the University's existing internal control processes did not prevent or detect and correct several material misstatements.

In the ongoing effort to improve the University's governance over financial reporting, Medical Center management should emphasize the need for and importance of preparing accurate financial statements in accordance with generally accepted accounting principles, as materially accurate Medical Center financial statements are required for appropriate consolidation with the Academic Division. To ensure the accurate preparation of financial statements, management should enhance its formalized year-end procedures over the Academic Division, Medical Center, and consolidated University financial statements. The procedures should include a well-defined list of deliverables and assigned roles and responsibilities along with associated completion dates to ensure the timely and accurate presentation of financial statements. These deliverables should include analytical reviews sufficient to identify, evaluate, and determine reasonableness of unusual or unexpected financial activity and balances, including significant increases and decreases from previous years and evaluation of stagnant accounts. Management responsible for financial reporting should continue to refine its process for independently researching solutions for complex and new transactions related to existing standards to include reaching

out to the Governmental Accounting Standards Board through technical inquiries, as necessary, and documenting the results of such inquiries and their impact on the University's accounting process.

Improve Accounts Payable Controls

Applicable: Medical Center

Responsible Department: Controller's Office

Type: Internal Control

Severity: Significant Deficiency

The Medical Center does not have adequate controls over accounts payable. The University's Internal Audit Department (Internal Audit) issued a contract labor controls report in July 2023 which found the Controller directed staff to override accounts payable review and approval controls to pay a contract labor agency. Additionally, the Medical Center did not have adequate segregation of duties between the accounts payable and purchasing departments, as the Purchasing Manager and Account Payable Manager positions were occupied by the same employee.

The Medical Center's accounts payable policy states "demand payment documents are audited in accounts payable for propriety, accuracy, and authority prior to processing. Inappropriate/ incorrect documentation will be returned to the requestor with explanation of return." In addition, the principle of segregation of duties is fundamental to internal controls and the prevention of fraud. Adequate segregation of duties for vendor payments requires that accounts payable functions be segregated from purchasing, receiving, and general ledger recording functions. Bypassing this policy and internal control could lead to inaccurate, inappropriate, and fraudulent vendor payments. In 2022, payments to the contract labor agency totaled \$197 million.

The Controller cited the integration of a new hospital system and a lack of staff with the expertise or availability to adequately review and approve the demand payment requests as reason for authorizing payment without prior review or approval. The Controller noted an internal memorandum depicting the segregation of duties arrangement as an interim solution and accepted the increased risk. The Medical Center should take corrective actions to address internal control findings in Internal Audit's contract labor controls report to ensure proper segregation of duties and approve vouchers prior to payment in accordance with its policies and procedures.

Improve Timekeeping Controls

Applicable: Medical Center

Responsible Department: Controller's Office

Type: Internal Control

Severity: Significant Deficiency

Medical Center supervisors are not reliably reviewing and approving employee timecards. Internal Audit issued a payroll and timekeeping audit report in April 2023 which found in the six pay periods tested, only 52 percent to 58 percent of timecards received a supervisory review and approval. Additionally, Internal Audit found that the Medical Center has not developed or communicated a formal policy governing timekeeping internal control standards. The lack of oversight of employee timekeeping

coupled with no formal, written policy to govern timekeeping controls places the Medical Center at increased risk for inaccurate, inappropriate, and fraudulent payroll payments.

The Medical Center should take corrective actions to address internal control findings in Internal Audit's payroll and timekeeping audit report and develop and communicate a formal policy regarding timekeeping internal controls. Further, the Medical Center should develop processes to monitor adherence to the established policy.

Complete a System Security Plan for Each Sensitive System

Applicable: Medical Center

Responsible Department: Health System Technology Services

Type: Internal Control and Compliance

Severity: Significant Deficiency

First Issued: 2022

The Medical Center continues to not have a completed system security plan for all its sensitive systems in accordance with the requirements of its adopted security standard, the National Institute of Standards and Technology Standard, 800-53 (NIST Standard). The NIST Standard, Section PL-2, requires the Medical Center to develop a system security plan for each sensitive system and to review the system security plans on an annual basis.

Without having a system security plan for each sensitive system, the Medical Center increases the risk of not identifying and implementing proper security controls to secure the system. Additionally, without documenting and reviewing system security plans annually, the Medical Center increases the risk it will not detect changes to key security controls and not have the proper security mechanisms to adequately protect its sensitive systems.

The Medical Center is in the process of finalizing a template for system security plans; however, it has not yet completed system security plans for each system. Additionally, the Medical Center's UVA Health and UVA Community Health Risk Management Standard (RM Standard) does not require that the Medical Center establish and document system security plans for each sensitive system, which contributed to the lack of system security plans.

The Medical Center should dedicate the necessary resources to develop a system security plan for each of its sensitive systems. Additionally, the Medical Center should update its RM Standard to include a requirement to develop a system security plan for each sensitive system and to review the system security plans on an annual basis. Maintaining current system security plans will assist the Medical Center in safeguarding the confidentiality, integrity, and availability of its sensitive and mission-critical data.

Improve Database Security

Applicable: Academic Division

Responsible Department: Information Technology Services

Type: Internal Control and Compliance

Severity: Significant Deficiency

The Academic Division does not secure a database that supports a sensitive and critical system in accordance with the Academic Division's policies and procedures and best practices such as the Center for Internet Security Benchmark (CIS Benchmark), as well as its adopted security standard, the International Organization for Standardization and International Electrotechnical Commission Standard, ISO/IEC 27002 (ISO Standard). We identified four control weaknesses and communicated them to management in a separate document marked Freedom of Information Act Exempt (FOIAE) under § 2.2 - 3705.2 of the Code of Virginia due to it containing descriptions of security mechanisms.

The ISO Standard requires the Academic Division to implement certain security controls to safeguard systems that contain or process sensitive data. Without enforcing the minimum requirements in the ISO Standard for the database, the University increases the data security risk associated with the sensitive information processed by the system. These findings increase the risk of a data breach or system unavailability, which could lead to financial, legal, regulatory, and reputational damages.

The lack of a process that assigns responsibility for database management to an individual or group of individuals and that details the required steps to facilitate the implementation of the Academic Division's policy and standard contributed to the identified weaknesses. The Academic Division should implement a process to ensure it regularly applies policy requirements. The Academic Division should also dedicate the necessary resources to configure appropriate security controls for the database in accordance with the ISO Standard and best practices. Implementing these controls will help maintain the confidentiality, availability, and integrity of the sensitive and mission critical data stored or processed in the database.

Complete Annual User Access Reviews

Applicable: Medical Center

Responsible Department: Health System Technology Services

Type: Internal Control and Compliance

Severity: Significant Deficiency

First Issued: 2022

The Medical Center did not perform an adequate annual review of users with access to systems containing sensitive data. A total of 518 (13.32%) users with access to sensitive data did not have an annual review performed during the fiscal year.

The Medical Center's Use of Electronic Information and Systems (IT-002) policy states that "managers and supervisors shall use the Supervisor Review Application annually or as needed to review and verify the status of Users within their respective departments or areas to ensure that access to Institutional Systems continues to be appropriate to each User's role or function." The lack of a sufficient

annual access review process increases the risk of improper or unnecessary access to sensitive systems, which could result in a breach in data security.

The Medical Center has developed a set of procedural changes in response to the management recommendation made in the prior year which includes notification of supervisors prior to the due date of an annual review expiring, internal assessment of outstanding reviews, quarterly escalations for overdue reviews, and other awareness activities. The Medical Center has not fully implemented these procedural changes as of June 2023. The Medical Center should continue corrective action to ensure compliance with management's requirements for system access reviews.

Perform Complete Physical Inventory

Applicable: Academic Division

Responsible Department: UVA Finance

Type: Internal Control and Compliance

Severity: Significant Deficiency

The Academic Division has not inventoried 6,810 assets, or 34 percent, of the University's 19,749 active assets in the past two fiscal periods. The assets not inventoried have a total net book value of approximately \$28 million as of June 30, 2023.

Academic Division's policy FIN-034 requires an annual physical inventory of capital assets to properly safeguard assets and maintain fiscal accountability. Additionally, the Academic Division obtains equipment using federal awards, therefore it must comply with Title 2 U.S. Code of Federal Regulations (CFR) § 200.313(d)(2) that requires the Academic Division to take a physical inventory of property and reconcile to the property records at least once every two years.

Management attributes the incomplete inventory to the Academic Division's migration to a new financial system and asset scanner integration issues during the fiscal year. By not performing a complete physical inventory, the University increases the risk of misappropriation of property and may contribute to the inclusion of inaccurate information in the financial system, which could lead to misstatements in the financial statements. The Academic Division should ensure it completes a physical inventory in accordance with its policies and procedures and federal regulations.

Complete Annual Review over User Access to University Information Systems

Applicable: Academic Division

Responsible Department: Information Technology Services

Type: Internal Control and Compliance

Severity: Significant Deficiency

First Issued: 2021

The University's Academic Division did not perform an adequate annual review and re-verification of users with access to the student information system. During fiscal year 2023, the Academic Division implemented a compliance attestation tool to assist managers with annual review and re-verification of users with access to the student information system. In September 2022, two

departments piloted the compliance attestation tool; however, a full review of student information system users through the Academic Division was not performed.

As outlined in the Academic Division's policy SEC-037: Networks, Systems, and Facilities Access & Revocation and the Issue & Return of Tangible Personal Property states the functional owner of a system of record must either 1) administer a process at least annually to review and reauthorize or revoke user privileges providing access to highly sensitive data or elevated system privileges, or 2) implement business process that immediately/automatically remove access when an individual leaves their position; assure ongoing segregation of duties; and monitor for and address potential instances of misuse. Regardless of the method used, the functional owner must maintain documentation of the process(es) followed, results, and actions taken. The lack of a sufficient annual access review process increases the risk of improper or unnecessary access to sensitive systems, which could result in a breach in data security. This finding resulted from the Academic Division not designating specific personnel and/or departments to perform the annual access reviews nor having adequate annual review procedures for the student information system.

The Academic Division should perform the student information system annual review using the compliance attestation tool to ensure user access is appropriate per policy SEC-037. In addition, the Academic Division should develop adequate procedures for the annual review process for the student information system.

Improve Processes over Employment Eligibility Verification

Applicable: University-wide

Responsible Department: University Human Resources Office

Type: Internal Control and Compliance

Severity: Significant Deficiency

First Issued: 2020

In our prior report, we identified instances where the University Human Resources Office (Human Resources) did not comply with guidelines issued by the U.S. Citizenship and Immigration Services of the U.S. Department of Homeland Security by submitting incomplete Employment Eligibility Verification (I-9) Forms or untimely creating a case in the E-Verify system. In response, Human Resources improved procedures between the human resources system and the individual schools. Human Resources developed procedures for student workers to ensure timely entry of new hires into the human resources system, including terminating non-compliant student workers. As these corrective actions occurred at fiscal year-end of the period under audit, we will evaluate whether the corrective actions achieved the desired results during the fiscal year 2024 audit.



Commonwealth of Virginia

Auditor of Public Accounts

Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

December 12, 2023

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Board of Visitors
University of Virginia

James E. Ryan, President
University of Virginia

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the business-type activities and aggregate discretely presented component units of the **University of Virginia** (Virginia) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated December 12, 2023. Our report includes a reference to other auditors who audited the financial statements of the component units of the University, as described in our report on the University's financial statements. The other auditors did not audit the financial statements of the component units of the University in accordance with Government Auditing Standards, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the component units of the University.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the section titled “Internal Control and Compliance Findings and Recommendations,” we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency titled “Improve Governance Structure and Resources Surrounding Financial Reporting Process,” which is described in the section titled “Internal Control and Compliance Findings and Recommendations,” to be a material weakness.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies titled “Improve Accounts Payable Controls,” “Improve Timekeeping Controls,” “Complete a System Security Plan for Each Sensitive System,” “Improve Database Security,” “Complete Annual User Access Reviews,” “Perform Complete Physical Inventory,” “Complete Annual Review over User Access to University Information Systems,” and “Improve Processes over Employment Eligibility Verification,” which are described in the section titled “Internal Control and Compliance Findings and Recommendations,” to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the section titled “Internal Control and Compliance Findings and Recommendations,” in the findings and recommendations titled “Complete a System Security Plan for Each Sensitive System,” “Improve Database Security,” “Complete Annual User Access Reviews,” “Perform Complete Physical Inventory,” “Complete Annual Review over User Access to University Information Systems,” and “Improve Processes over Employment Eligibility Verification.”

The University’s Response to Findings

We discussed this report with management at an exit conference held on December 12, 2023. Government Auditing Standards require the auditor to perform limited procedures on the University’s

response to the findings identified in our audit, which is included in the accompanying section titled “University Response.” The University’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Status of Prior Findings

The University has not taken adequate corrective action with respect to the prior reported findings identified as ongoing in the Findings Summary included in the Appendix. The University has taken adequate corrective action with respect to prior audit findings identified as complete in the Findings Summary included in the Appendix.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

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Findings Summary

Finding Title	Applicable Division	Status of Corrective Action	First Issued
Improve Controls over User Access to the Payroll and Human Resources System	University-wide	Complete	2019
Improve Processes over Employment Eligibility Verification	University-wide	Ongoing	2020
Complete Annual Review over User Access to University Information Systems	Academic	Ongoing	2021
Continue to Implement Information Security Program Requirements for the Gramm-Leach-Bliley Act	Academic	Complete	2021
Continue to Improve Controls and Compliance with Student Financial Aid Requirements	UVA Wise	Complete	2021*
Continue to Improve Security Awareness Training	Medical Center	Complete	2021
Improve Governance Structure and Resources Surrounding Financial Reporting Process	University-wide	Ongoing	2021
Complete Annual User Access Reviews	Medical Center	Ongoing	2022
Complete a System Security Plan for Each Sensitive System	Medical Center	Ongoing	2022
Improve Capital Asset Inventory Controls	Medical Center	Complete	2022
Improve Payroll Accounting and Financial Reporting Processes	Academic	Complete	2022
Improve Accounts Payable Controls	Medical Center	Ongoing	2023
Improve Timekeeping Controls	Medical Center	Ongoing	2023
Improve Database Security	Academic	Ongoing	2023
Perform Complete Physical Inventory	Academic	Ongoing	2023

*Issued in a separate University of Virginia's College of Wise report on September 7, 2021

December 11, 2023

Ms. Staci Henshaw
Commonwealth of Virginia Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

Dear Ms. Henshaw,

We have reviewed the audit findings and recommendations resulting from the fiscal year 2023 audit related to the University of Virginia (UVA) Academic Division (University) and Medical Center. Below are management's responses to those findings.

Improve Governance Structure and Resources Surrounding Financial Reporting Process

Management Response: The University concurs with the APA's finding.

Responsible for Corrective Action: Executive Vice President and Chief Operating Officer, UVA, Chief Executive Officer, UVA Health

Anticipated Completion Date: June 30, 2024

The University of Virginia greatly appreciates the opportunity to address the management point and will continue to work on its remediation. UVA also appreciates the acknowledgement of all the efforts put forth to date regarding resources, bolstered governance, and overall communication and coordination.

With the owners of the Management Point now being named as the Executive Vice President and COO of UVA and CEO of UVA Health, as well as their respective CFO's, we are approaching our remediation that the appropriate Governance has improved, and as a result this management point is partially cleared. Moving forward, UVA will continue to implement a combination of improved business processes and future reporting enhancements focused more on technical and operational presentation of our respective, and consolidated, GAAP statements. These will include detective controls and analysis of our respective close processes, more frequent reconciliations, as well as additional review and verification of statement presentation to the Auditor of Public Accounts. It is important to reiterate that both Medical Center and the Consolidated statements undergo separate audits from the APA, with Medical Center and the Academic Division operating as separate state agencies – both of which are material to the Consolidated Statements.

Current and Ongoing

The University will continue to meet monthly with leadership to provide updates on all related aspects of our financial reporting environment. The collective management team will also update

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the President and Audit Chair bi-monthly or more often as needed. In addition, UVA will continue to use third party expertise and external audits for its component units including Community Health, as well as for technical assistance on new Government Accounting Standard Board adoption and actuarial support. Lastly, continued recruitment of professionals to ensure full staffing at both the Medical Center and Academic accounting and reporting teams will be ongoing as vacancies may arise. The University will continue to meet regularly with the APA in preparation for, and during, the FY2024 audit. Moving forward, APA status meetings will occur for the Academic Division, Medical Center Division, and the Consolidated team jointly, along with any other relevant parties.

Immediate Corrective Action

The University will immediately begin planning for all year end statement preparation procedures as well as the overall consolidation process, including but not limited to, duties and responsibilities, testing and review protocols, additional review and detective controls, quality assurance measures, and potential realignment or personnel enhancements that can increase or improve the overall reporting and control environment. This plan will be reviewed by the Audit Chair and President on or before March 2024.

The Board of Visitors was updated regarding the status of this management point in the December 7th Audit Committee. Leadership will finalize a remediation plan and share with the APA and the Audit Committee of the Board of Visitors no later than January 2024.

Future Consideration

Depending on the results of the immediate corrective actions, the University plans to implement a more robust external reporting process that includes a more thorough account reconciliation process, identifying the composition and variances for all income statement and balance sheet accounts on a quarterly basis as well as review of all intercompany activity. This may include, but is not limited to, required checklists sent to the Medical Center that will be returned to the Academic Division for their year-end financial reporting and reconciliations on a regular basis (Internal Investment Pool and daily intercompany settlements as an example), as well as recurring meetings between the two divisions to foster better information and communication.

With a new financial system on the Academic side, there is an opportunity to leverage automation to assist in the overall control environment. Since there is always inherent risks and limitations when reporting from multiple systems of record, UVA will look to leverage technology to mitigate said risks and automate processes when applicable to GASB requirements.

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Improve Accounts Payable Controls

Management Response: The Medical Center concurs with the APA's finding.

Responsible for Corrective Action: Controller's Office

Anticipated Completion Date: October 1, 2023

Contract Labor

The Medical Center streamlined the approval processes for one contract labor agency for traveling nurses, due to challenges with receiving approvals within the 15 day payment terms, and to ensure no interruption to patient care. The control relied upon was the same control used for employees: management approval of timecards through the Medical Center timekeeping system which the contract labor agency uses to create the invoices.

Segregation of Duties

During a critical system go live, the Medical Center placed the Accounts Payable Manager into a dual role over AP and Purchasing to ensure the continuity of patient care. This created a known control risk, that was mitigated via manual processes.

Management has led multiple internal and external reviews of these controls, and the findings have been resolved.

Improve Timekeeping Controls

Management Response: The Medical Center concurs with the APA's finding.

Responsible for Corrective Action: Controller's Office

Anticipated Completion Date: September 1, 2023

The Medical Center has revised its timekeeping policy to establish expectations for supervisor approval of timecards each pay period. This includes a process to monitor adherence to the policy via an automated system for communication and management reporting. This finding has been resolved.

Complete a System Security Plan for Each Sensitive System

Management Response: The Medical Center concurs with the APA's finding.

Responsible for Corrective Action: Health System Technology Services

Anticipated Completion Date: April 30, 2024

UVA Health has a process in which sensitive applications are reviewed by third party risk assessors on an annual basis. The assessments that are performed review all security controls based on the NIST CSF Framework. The software in which this information is collected defines if a control is implemented and, in some cases, how it's implemented.

UVA Health will create individual system security plans for each of these applications based on information collected during these third-party assessments. The system security plans will include information and details on the controls in place or not present. These system security plans will be reviewed by the System Administrators on an annual basis and a process will be developed for notifying HIT Security of any changes to security controls throughout the year.

This work is expected to be completed by April 30, 2024.

Improve Database Security

Management Response: UVA concurs with the APA's finding.

Responsible for Corrective Action: Information Technology Services

Anticipated Completion Date: December 31, 2023

The University has begun corrective action since the conclusion of the 2023 audit and those steps have been communicated in a separate memo marked freedom of information exempt, due to the sensitivity of the information.

Complete Annual User Access Reviews

Management Response: The Medical Center concurs with the APA's finding.

Responsible for Corrective Action: Health System Technology Services

Anticipated Completion Date: April 30, 2024

Monthly reminders are shared with any Manager/Supervisor whose access review is outstanding. Beginning in July 2023, the UVA Health Information Security Officer started sending out *quarterly* follow up reminders to any Supervisor/Manager whose annual Supervisor Review remains incomplete. Starting in October 2023, Supervisors/Managers who remain non-compliant after the quarterly notification will be escalated to more senior leadership (Chief or Dean) to ensure completion of their review; any outstanding access will then be terminated. Significant improvements are expected after this quarterly escalation. We will continue to stabilize and strengthening the process within the next two quarterly cycles and tighten the timeline for review, escalation, and access termination (as appropriate). The planned completion date is April 30, 2024.

Perform Complete Physical Inventory

Management Response: UVA concurs with the APA's finding.

Responsible for Corrective Action: UVA Finance

Anticipated Completion Date: June 30, 2024

UVA migrated over 28,000 assets from Oracle to Workday in July 2022. All assets transferred into the new system with financial data fields intact, but the inventory data fields did not migrate

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cleanly. Our inventory specialist, along with other temporary workers allocated a tremendous amount of time reviewing and updating the inventory data during FY23. Additionally, the scanners used in our inventory process required outside testing and problem solving from our inventory management platform company which impacted our business processes. Data validation and all integrations were implemented with the team scanning and performing the inventory process, albeit with a backlog due to the overall asset volume.

All conversion data and associated sub-system integrations with both the Financial System of record and inventory technology sub-systems scanners are fully operational with inventory specialist starting a full inventory scan this month to be completed by the end of FY24, prioritizing any equipment outside of the two-year timeframe.

UVA has 19,705 in service assets designated as moveable equipment. 6,809 of those assets have an inventory date outside of two years. Of the total outside the two-year mark, 6,024 or 88.5% of those assets have an inventory date within FY21 and 76% have a date in the 3rd or 4th quarter FY21.

Complete Annual Review over User Access to University Information Systems

Management Response: The UVA Academic Division concurs with the APA's finding.

Responsible for Corrective Action: Steve Farmer, Vice Provost for Enrollment

Anticipated Completion Date: June 30, 2024

University policy SEC-037 allows two options for reviewing user access to major systems. One option is to implement a business process that immediately/automatically removes access when an individual leaves their position; assures ongoing segregation of duties; and monitors for and addresses potential instances of misuse.

Since 2012, the University has had a process for immediately deprovisioning access to the Student Information System (SIS) when an employee leaves the University or changes roles within the University. When new users request access, the data stewards ensure there is adequate segregation of duties before granting approval.

The second option for reviewing user access is to administer a process at least annually to review and reauthorize or revoke user privileges providing access to highly sensitive data or elevated system privileges. The University completed a test of the new Fischer tool with the University Registrar in fall 2022 (FY23). In February 2023, the University updated policy SEC-037 for conducting its review of major systems. Human Resources and Finance planned for and completed their review in June 2023. The review of SIS could not be conducted concurrently with Human Resources and Finance due to system limitations and resource constraints.

UVA Finance is the valued and trusted financial partner that the University community turns to first.
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The University's intent was to identify best practices from the Human Resources and Finance review; those lessons learned have been shared both from a user perspective and an information technology perspective for the SIS attestation. The SIS attestation is scheduled for spring 2024 and will be completed no later than June 30, 2024.

Improve Processes over Employment Eligibility Verification

Management Response: UVA concurs with the APA's finding as presented.

Responsible for Corrective Action: University Human Resources Office

Anticipated Completion Date: June 30, 2024

Sincerely,

Augie Maurelli
Vice President for Finance, Chief Financial Officer

Douglas E. Lischke
Health System Chief Financial Officer

cc: Jennifer "J.J." Davis
Kelly Doney
Dana German
John Kosky

Melody Norback
Wendy Horton
Erin Trost
Mike Marquardt